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17 UNITED STATES DISTRICT COURT
18 CENTRAL DISTRICT OF CALIFORNIA
19 WESTERN DIVISION

20 IN RE:
Katz Interactive Call Processing
21 Patent Litigation

Case No. 07-ML-1816-B-RGK (FFMx)

**AMERICAN'S OPPOSITION TO
PLAINTIFF'S MOTION FOR
PARTIAL SUMMARY JUDGMENT**

22 This document relates to:

REDACTED VERSION

23 Ronald A. Katz Technology Licensing
24 L.P. v. American Airlines, Inc., *et. al.*
25 CV 07-2196 RGK (FFMx)

The Honorable R. Gary Klausner

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1 **I. INTRODUCTION**

2 Plaintiff Ronald A. Katz Technology Licensing, L.P. (“RAKTL”)
3 fails to carry its burden of demonstrating that there remain no genuine issues
4 of material fact such that it is entitled to summary judgment on the defenses of
5 prosecution laches and equitable estoppel.

6 Prosecution laches may be applied to bar enforcement of a patent
7 where the patentee unreasonably delayed prosecution of his patents in a
8 manner that cannot reasonably be explained. Reiffen v. Microsoft, Inc., 281
9 F. Supp. 2d 1149, 1153 (N.D. Cal. 2003); Symbol Techs., Inc. v. Lemelson
10 Med., Educ. & Research Found., 422 F.3d 1378, 1385 (Fed. Cir. 2005)
11 (“prosecution laches may render a patent unenforceable when it has issued
12 only after unreasonable and unexplained delay in prosecution”).

13 Defendants American Airlines, Inc. and American Beacon
14 Advisors, Inc. (collectively “American”) have proffered *unrebutted* evidence
15 that the vast majority of the asserted patents in the Katz portfolio took longer
16 to prosecute than over 99% of comparable patents and that the delays in
17 prosecution were unreasonable and unexplainable. The record also
18 establishes that, during the time Ronald Katz (“Katz”) was filing his patent
19 applications, he monitored the advancements in the field by others and
20 incorporated claims to those advancements in his pending patent applications.
21 Moreover, ample evidence suggests that this pattern of delay prejudiced other
22 inventors, developers and adopters—including American—who invested time
23 and resources in new call processing technologies not knowing that those
24 technologies would subsequently be claimed by Katz to be his inventions.
25 Thus, by dragging out his patent filings for almost 20 years, Katz manipulated
26 the patent system to the detriment of American and the public at large. This
27 type of behavior is exactly what the doctrine of prosecution laches is designed
28 to address.

1 In response to this persuasive evidence, RAKTL only proffers
2 conclusory statements that Katz was “diligent” in his prosecution or that his
3 behavior was not “egregious.” Plaintiff’s Mot. at 11. This is insufficient to
4 obtain summary judgment. Anderson v. Liberty Lobby, 477 U.S. 242, 248
5 (1986). Because the summary judgment record must be viewed in the light
6 most favorable to American, id. at 255, RAKTL’s motion should be denied.

7 RAKTL’s motion regarding equitable estoppel fares no better.
8 The record shows that RAKTL first introduced its patent portfolio to
9 American in 1997. Throughout the ensuing nine years of communications,
10 however, RAKTL never once identified the only call-processing feature now
11 at issue—American’s Non-Revenue Periphonics (“Non-Rev”) application—as
12 potentially infringing.

13 The record shows that RAKTL’s communications were
14 reasonably viewed as a series of empty threats regarding non-infringing
15 technologies, especially when contrasted with its aggressive conduct toward
16 other parties during the same time period. American reasonably inferred that
17 RAKTL had no intention of suing, especially over an application only used
18 internally by American’s current and former employees. Thus, American
19 was lulled into a false security by RAKTL’s conduct and continued to operate,
20 purchase, and invest in call-processing systems during that time. This
21 evidence is sufficient to allow the trier of fact to find equitable estoppel
22 because all inferences must be drawn in favor of American at this juncture.
23 Id. Accordingly, RAKTL’s motion must be denied.

24 **II. SUMMARY JUDGMENT STANDARDS**

25 Summary judgment is proper only if “there is no genuine issue as
26 to any material fact and . . . the moving party is entitled to judgment as a
27 matter of law.” Fed. R. Civ. P. 56(c); see also Anderson, 477 U.S. at 248.
28 At this stage of litigation, the judge’s role is “to determine whether there is a

1 genuine issue for trial.” Anderson, 477 U.S. at 249. To defeat a motion for
2 partial summary judgment, the non-movant “need only present evidence from
3 which a [fact finder] *might* return a verdict in [its] favor.” Id. at 257
4 (emphasis added).

5 RAKTL’s motion for summary judgment on prosecution laches
6 must be denied if American presents *any* evidence that RAKTL engaged in
7 unreasonable delay in prosecuting its patents such that a fact finder might
8 return a verdict in its favor. See Chiron Corp. v. Genentech, Inc., 268 F.
9 Supp. 2d 1139, 1148 (E.D. Cal. 2002) (denying plaintiff’s motion for
10 summary judgment of no prosecution laches). Likewise, RAKTL’s motion
11 on equitable estoppel must be denied if there is a genuine dispute about
12 whether American was materially prejudiced by relying on RAKTL’s
13 misleading conduct. See A.C. Aukerman v. R.I. Chaides Const. Co., 960
14 F.2d 1020, 1043 (Fed. Cir. 1992) (reversing the district court’s grant of
15 summary judgment on equitable estoppel because the elements supporting the
16 movant’s claims “were in genuine dispute, that the evidence was not
17 perceived in the light most favorable to [the nonmovant], that inferences of
18 fact were drawn against [the nonmovant].”).

19 **III. THERE ARE GENUINE ISSUES OF FACT REGARDING**
20 **WHETHER PATENTS-IN-SUIT ARE UNENFORCEABLE DUE**
TO PROSECUTION LACHES

21 **A. Prosecution Laches May Be Established Through A**
22 **Pattern Of Conduct**

23 Prosecution laches bars enforcement of patent claims issuing
24 after unreasonable delays in prosecution. Symbol Techs, Inc. v. Lemelson
25 Med., Educ. & Research Found., 277 F.3d 1361, 1368 (Fed. Cir. 2002)
26 (“Symbol II”).¹ The “gist” of the rationale for the doctrine is that the

27
28 ¹ In lieu of the naming convention used by RAKTL in its motion, American
adopts the naming convention for the four Symbol cases used by the Federal

1 conduct of the inventor postpones the time when the public can enjoy the free
2 use of the invention. Reiffin 281 F. Supp. 3d at 1150 (citing Woodbridge v.
3 United States, 263 U.S. 50 (1923)). More specifically, the doctrine of
4 prosecution laches addresses the concern that an inventor will file narrow
5 claims, await intervening developments, and then file broader claims to cover
6 those developments. Webster Elec. Co. v. Splitdorf Elec. Co., 264 U.S. 463,
7 465-66 (1924); Chiron Corp., 268 F. Supp. 2d at 1142. Such behavior
8 undermines the “well-established rule” that subject matter disclosed in a
9 patent application but not claimed is dedicated to the public. Maxwell v.
10 Baker, Inc., 86 F.3d 1098, 1106 (Fed. Cir. 1996). Thus, not only does
11 prosecution laches prevent an applicant from unfairly extending his patent
12 monopoly, it also protects companies and others who have “invested in the
13 technology described in the delayed patents.” Symbol Techs., Inc. v.
14 Lemelson Med., Educ. & Research Found., 422 F.3d 1378, 1386 (Fed. Cir.
15 2005) (“Symbol IV”); Woodbridge, 263 U.S. at 56 (observing that prejudice is
16 imposed on “other inventors [who] had been at work in the same field”).
17 Prosecution laches may render an entire patent unenforceable, even if the
18 delay only applied to a subset of claims. See Symbol IV, 422F.3d at 1386
19 (rendering all claims of the asserted patents unenforceable due to prosecution
20 laches).

21 The Federal Circuit has expressly avoided setting forth “any firm
22 guidelines” because prosecution laches “is to be decided as a matter of equity,
23 subject to the discretion of a district court before which the issue is raised.”
24 Id. at 1385. Accordingly, rather than applying a static list of factors, the
25 Federal Circuit held that prosecution laches requires an “examination of the

26
27
28 Circuit in Symbol Techs., Inc. v. Lemelson Med., Educ. & Research Found.,
LP, 422 F.3d 1378 (Fed. Cir. 2005) (“Symbol IV”).

1 totality of the circumstances.”² Id. at 1386. Moreover, although an
2 applicant’s delay in prosecuting a single patent application would not, by
3 itself, be enough to justify applying prosecution laches, a *pattern* of delay
4 across a family of patents may trigger prosecution laches:

5 Taken singly, the delay in the prosecution on any one particular
6 application will surely not appear to merit relief by the courts in
7 equity. On the other hand, an examination of the **totality of the**
8 **circumstances**, including the prosecution history of all of a **series**
9 **of related patents** and overall delay in issuing claims, may trigger
10 laches.

11 Id. at 1385-86 (emphasis added).

12 Although intervening private or public rights **could** be factors
13 considered by the Court in evaluating the totality of circumstances,³ the
14 Federal Circuit has never *required* the presence of public or private
15 intervening rights as an element of prosecution laches. See Symbol IV, 422
16 F.3d at 1382 (citing intervening rights as *additional* factual considerations);
17 and In re Bogese II, 303 F.3d 1356, 1367 (Fed. Cir. 2002) (affirming Board of
18 Patent Appeals’ forfeiture of patent based upon prosecution laches without
19 requirement of intervening rights). Moreover, a particular defendant
20 asserting a defense of prosecution laches need not demonstrate harm to itself.
21 Reiffin 281 F. Supp. 3d at 1154 (“A defendant seeking to raise a prosecution

22 ² This Court’s earlier decision in Verizon California, Inc. v. Ronald A. Katz
23 Tech. Licensing, L.P., No. 01-CV-9871 (RGK) (RCx), 2003 U.S. Dist. LEXIS
24 23553 (C.D. Cal. Dec. 2, 2003) was issued before the Federal Circuit’s
25 clarification of the doctrine in Symbol IV.

26 ³In Symbol IV, the Federal Circuit affirmed the lower Court’s application of
27 prosecution laches based upon the “totality of the circumstances,” including
28 the patentee’s culpable neglect, statistical information about the length of the
patentee’s prosecution relative to other patent prosecutions, and the presence
of intervening rights. 422 F.3d at 1386. However, contrary to RAKTL’s
suggestions in its brief (see Mot. at 7), the Court did ***not*** hold that these
factors, taken individually or as a whole, were necessary elements of the
defense. Symbol IV, 422 F.3d at 1386.

1 laches defense need not prove specific harm or prejudice to itself successfully
2 to make the case for prosecution laches.”) The focus on public, rather than
3 private, interests derives from the rationale for the doctrine of prosecution
4 laches itself:

5 Prosecution laches is not a doctrine, like traditional laches, aimed
6 to protect specific competitors. It rather serves the broader
7 public interests in the timely issuance of patents. Because
8 prosecution laches applies to the conduct of a patent applicant
9 prior to the issuance of a patent, **the doctrine cannot be aimed
at protecting specific infringers or potential infringers from
prosecutorial delay**, because there can be no infringement until a
10 patent has issued.

11 Id. (emphasis added). Therefore, to show prosecution laches, a defendant must
12 prove only that the patent holder unreasonably delayed in the prosecution of
13 the patents and in a manner that is not reasonably explained:

14 Based on a review of the cases just discussed, the court concludes
15 that **there is but one element of the defense of prosecution
laches that defendant must prove** to prevail on this issue: that
16 plaintiff unreasonably delayed the prosecution of his patents in a
manner that cannot be reasonably explained.

17 Reiffin, 281 F. Supp. 3d at 1151 (emphasis added). See also Symbol Techs.,
18 Inc. v. Lemelson Med., Educ. & Research Found., 301 F. Supp. 2d 1147, 1156
19 (D. Nev. 2004) (“Symbol III”) (“unreasonable delay alone is sufficient to
20 apply prosecution laches”).

21 The totality of the circumstances test for prosecution laches is
22 objective, i.e. “whether any delay in plaintiff’s prosecution or explanation for
23 such a delay is reasonable.” Reiffin, 281 F. Supp. 3d at 1151-52. In
24 Symbol III, the district court applied prosecution laches after finding an
25 unreasonable delay between the filing of the original application and the
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28

1 issuance of the claims”⁴ as well as “delay in presenting the claims to the
2 patent office for the first time.”⁵ 301 F. Supp. 2d at 1156. The Federal
3 Circuit has expressly commented that “there are no strict time limitations for
4 determining whether continued refiling of patent applications is a legitimate
5 utilization of statutory provisions or an abuse of those provisions.” Symbol
6 IV, 422 F.3d at 1385. In the two Supreme Court cases establishing the
7 defense of prosecution laches—Woodbridge, 263 U.S. 50 (1923) and Webster,
8 264 U.S. 463 (1924)—the Court found delays of nine-and-a-half years and
9 eight years, respectively, to be unreasonable.⁶ As discussed below, Katz’s
10 delays in prosecution are similarly unreasonable. At a minimum, American
11 raises a genuine issue of fact that precludes summary judgment.

12 **B. Katz Unreasonably Delayed In Prosecuting His Claims**

13 The application date of the ’863 patent—the lone patent now
14 asserted against American—was June 7, 1995. Leventhal Decl. Ex. 1 at 19.
15 However, RAKTL asserts that claim 43 of the ’863 patent is entitled to a
16 priority date of May 16, 1988. Smith Decl. Ex. 1 at 9. Claim 43 is entitled
17 to the earlier priority date only if it is fully supported in RAKTL’s patent
18 specification filed on May 16, 1988. 35 U.S.C. § 120. Therefore,
19 according to RAKTL’s own asserted priority date, the delay between when it
20 *could* have filed claim 43 and when it *actually* filed the claim was longer than

21 _____
22 ⁴ This time period corresponds to Professor Wagner’s calculation of “Overall
23 Pendency,” i.e., the number of days between a patent or claim’s priority date
24 and its issue date. See Wagner Decl. Ex. A at 6.

25 ⁵ This time period corresponds to Professor Wagner’s definition of “Priority
26 Pendency,” i.e., the number of days between a patent or claim’s priority date
27 and the date the applicant applied for that claim. See Wagner Decl. Ex. A at
28 6.

⁶ RAKTL asserts in its Motion that “[c]ourts have uniformly refused to find
prosecution pendencies spanning a decade or more to be unreasonable.” Mot.
at 10. This wholly ignores the Supreme Court findings in Woodbridge and
Webster.

1 7 years—on par with the length of delay found to be unreasonable in
2 Woodbridge and Webster.

3 In Symbol IV, the Federal Circuit found that the district court had
4 “exercised its discretion reasonably” when considering the extreme length of
5 Lemelson’s patent delays relative to the universe of patent applications
6 prosecuted around the same time. 422 F.3d at 1386. Here, like the
7 Lemelson patents at issue in Symbol IV, the unreasonableness of Katz’s
8 pattern of delay is apparent when the pendency periods for the prosecution of
9 Katz’s patents are compared to other patents prosecuted during the same time
10 period.⁷ As shown by Professor R. Polk Wagner, Katz’s patent pendencies
11 are extreme outliers when compared to other patent prosecutions, both for all
12 patents and for patents in the same field. Comparing Katz’s delays in
13 prosecuting the patents-in-suit to comparable other patents raises material
14 questions about whether Katz’s delays were unreasonable, and egregiously so.

15 RAKTL’s 7-year delay in prosecution of claim 43 took longer
16 than 99% of all patent applications in the same time period, and longer than
17 99% of the patent applications in the same class as the ’863 patent. See
18 Wagner Decl. Ex. A at 23-28.⁸ The prosecution of the ’863 patent is
19 consistent with Katz’s prosecution of his entire family of patents, which
20 reveals a pattern of prosecution delays. Indeed, when using Katz’s asserted
21 priority dates for each of the patents-in-suit, most of the patents-in-suit had

22 ⁷ Professor Wagner compares the RAKTL portfolio to all patents pending at
23 the same time, and calls this the “overlapping dataset.” Professor Wagner
24 also compares the RAKTL portfolio to patents with priority dates within a two
25 year period of RAKTL’s priority dates, and calls this the “cohort dataset.”
See Wagner Decl. Ex. A at 7.

26 ⁸ The priority pendency in the “All Records” column shows that claim 43 of
27 the ’863 patent has a priority pendency in the 99.26th percentile. The priority
28 pendency in the “Same-Class Only” column shows that claim 43 of the ’863
patent has a priority pendency in the 99.34th percentile. See Wagner Decl.
Ex. A at 20. Similar results hold within the Cohort Dataset. Id. at 23.

pendencies above the 99th percentile, and almost all were above the 95th percentile. See Wagner Decl. Ex. A at 20-21, 23-24. Such delays are “not what is contemplated by the patent statute when it provides for continuation and continuation-in-part applications.” Symbol IV, 422 F.3d at 1386. The pattern of repeatedly maintaining patent applications for such extraordinary periods is evidence which, viewed in the light most favorable to American, supports the inference that the delays were unreasonable.

Expert testimony further supports this view. Defendants’ expert, the Honorable Gerald Mossinghoff, former commissioner of the United States Patent and Trademark Office, opined that Katz unreasonably delayed prosecution of his patents. See Plaintiff’s Statement of Uncontroverted Facts and Conclusions of Law (“Plaintiff’s Statement”) at ¶ 43. See generally Mossinghoff Decl. Ex. A at ¶¶ 180-195; see also id. at ¶ 195

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Moreover, Mr. Mossinghoff opines that the total duration of Katz’s patent prosecution is evidence that the delays were unreasonable.⁹ See Plaintiff’s Statement at ¶ 44; Mossinghoff Decl. Ex. A at ¶ 195.

Nowhere in its Motion or Statement of Uncontroverted Facts does RAKTL even attempt to rebut—by offering opinion testimony, affidavits, or other evidence admissible at summary judgment—the evidence

⁹ RAKTL complains that Professor Wagner uses “priority pendency” in his analysis. See Mot. at 9. However, the priority date for a claim is considered the *effective filing date* by the U.S.P.T.O. MPEP 706.02, Sect. VI. To disregard a claim’s effective filing date would allow a patentee to assert one filing date for purposes of defeating an invalidity challenge while relying on a second, later date for purposes of showing diligence in prosecution. RAKTL cites no legal authority for the notion that it can ignore the priority date for prosecution laches, and such an argument makes little sense.

1 offered by defendants' experts. Indeed, RAKTL points to no delays in
2 prosecution of the Katz patents that are attributable to the Patent Office or are
3 otherwise a result of circumstances beyond Katz's control. Even Mr.
4 Goffney, RAKTL's rebuttal expert on prosecution laches, limited his opinion
5 to how the United States Patent and Trademark Office measures the pendency
6 of individual patent applications. Wagner Decl. Ex. A at ¶¶ 153-155. Mr.
7 Goffney testified that he had no opinion on what the Court in this case would
8 find relevant to a determination of whether prosecution laches applies. See
9 Smith Decl. Ex. 2 at 230:16-231:11. Accordingly, Katz's delay in
10 prosecution has not and cannot reasonably be explained. Consequently, Mr.
11 Mossinghoff's expert opinion that Katz unreasonably delayed prosecution of
12 his patents stands unchallenged and, in and of itself, creates a genuine issue of
13 fact that precludes summary judgment.

14 C. Katz's Behavior Was Inexcusable

15 RAKTL argues that Katz was diligent in prosecuting its patents,
16 *e.g.*, Katz sought to obtain patents and that patents issued each year.¹⁰ See
17 Mot. at 11. RAKTL further argues that American cannot show that this is an
18 egregious case sufficient to warrant application of prosecution laches. Id.
19 As an initial matter, whether Katz desired additional patents or whether he
20 intentionally delayed prosecution is immaterial. Symbol IV, 422 F.3d at
21

22 ¹⁰ RAKTL also attempts to excuse prosecution delays by conclusory
23 references to terminal disclaimers. See Mot. at 11. Although in certain
24 circumstances the prejudice caused by prosecution delays can be mitigated
25 somewhat by terminal disclaimers, the mere presence of a terminal disclaimer
26 does not end the inquiry into whether a delay in prosecution was
27 unreasonable. Indeed, many of RAKTL's patents-in-suit are terminally
28 disclaimed over patents which were themselves filed after an unreasonable
delay. For example, the '065 patent was terminally disclaimed over the '551
patent. Leventhal Decl. Ex. 1 at 55-56. But both the priority pendency and
the overall pendency of the '551 were above the 99th percentile. Wagner
Decl. Ex. A at 20.

1 1382. Regardless, contrary to RAKTL's current assertion of good faith and
2 diligence, the record establishes that Katz intentionally and willfully delayed
3 filing claims in order to learn what advances were being made in the field and
4 then incorporated the new "information" into newly filed claims.

5 For example, Katz has admitted that, beginning in 1984 and
6 continuing through the 1990s, he continued to learn about interactive voice
7 systems that were being implemented by others in the field. See Smith Decl,
8 Ex. 3 at 56:14-57:2. Further, Katz's patent prosecutors admitted that it was
9 their *modus operandi* to file new claims using such newly-gained knowledge.
10 See Smith Decl. Ex. 4 at 338:13-20
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15 341:24-342:2
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18 The record establishes that Katz purposely manipulated the system to
19 keep his patent applications alive and claim advances in the industry as his
20 own. That is exactly what prosecution laches is intended to prevent.
21 Reiffen, 281 F. Supp. 2d at 1153 (The "correspondence between the
22 invention(s) plaintiff claimed with the evolution of the field . . . is highly
23 suspicious and suggestive of opportunism.").

24 **D. Katz's Unreasonable and Unexplained Delays in Prosecution**
25 **Prejudiced Others In The Field**

26 As discussed above, a court may choose to consider evidence of
27 intervening rights, which "are evidenced by the use of products developed,
28 manufactured and sold by [the accused infringers], as well as by third-party

1 products, patents and articles.” Symbol III, 301 F. Supp. 2d at 1157; see also
2 Verizon California, Inc. v. RAKTL, L.P., No. 01-CV-9871 (RGK) (RCx),
3 2003 U.S. Dist. LEXIS 23553, at *66 (C.D. Cal. Dec. 2, 2003) (observing that
4 an intervening right is “evidenced by a public use, sale, intervening
5 publication or intervening patent”). The goal of avoiding prejudice to rights
6 arising from prosecution delays protects companies and other members of the
7 public who have “invested in the technology described in the delayed
8 patents.” Symbol IV, 422 F.3d at 1386; see also Woodbridge, 263 U.S. at 56
9 (observing that prejudice is imposed on “other inventors [who] had been at
10 work in the same field”).

11 Defendants have presented unrebutted evidence suggesting that
12 Katz’s pattern of delay in prosecuting claims was prejudicial to developers of
13 interactive call processing technology.¹¹ In one illustrative case, AT&T
14 developed and publicly deployed interactive voice system technology during
15 the time between Katz’s first disclosures and his filing of claims including
16 those features. For example, starting in the mid-1980s, AT&T developed the
17 Conversant 1 Voice System, a multi-mode voice system using DNIS. See
18 Smith Decl. Ex. 8 at REF_000728-35.

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21 See Smith Decl. Ex. 3 at 78:5-25; 82:13-17; 82:24-83:15;
22 86:1-19. Yet, DNIS first appeared in a RAKTL claim limitation in 1993 in
23

24 ¹¹ RAKTL complains that American failed to provide enough detail in its
25 interrogatory responses to support its prosecution laches defense. Mot. at 8-9
26 & 12-13. However, RAKTL was placed on sufficient notice of American’s
27 claims through its interrogatory responses and the other fact and expert
28 discovery referenced in this brief. In any event, if RAKTL believed
American’s interrogatory responses were deficient, it could have met and
conferred (and filed a motion to compel further responses, if necessary), but it
did not. RAKTL therefore has no basis to complain now.

1 the '285 patent. See, e.g., Smith Decl. Ex. 9 at claim 19. However,
2 RAKTL now asserts an October 20, 1988 priority date for this feature.¹²
3 Because Katz later reclaimed a portion of the subject matter disclosed on
4 October 20, 1988 that otherwise would have been dedicated to the public, the
5 Conversant 1 Voice System is evidence that both the public and AT&T were
6 prejudiced by Katz's delay in filing the claims that use DNIS.

7 In another illustrative case, the Periphonics Student Registration
8 system was an automated telephone customer service device in developmental
9 stages starting in the mid-1980s. See Smith Decl. Ex. 10 at REF_000891-
10 932. American's Non-Rev application, which is a Nortel/Periphonics
11 system, is now accused of infringement. See generally Smith Decl. Ex. 11 at
12 63-71; see also id. at ¶ 123. Moreover, the Non-Rev application is accused
13 of infringing claim 43 of the '863, for which RAKTL's is claiming a priority
14 date of May 16, 1988. See id.; see also Smith Decl. Ex. 1 at 9. Evidence of
15 on-going development expenditures by Nortel through the relevant period is
16 readily adduced from the development agreements that Nortel/Periphonics and
17 American entered. See Smith Decl. Ex. 12. From this evidence, a
18 reasonable inference can be drawn that during the relevant time period
19 Nortel/Periphonics was further developing its products. Put another way, it
20 would be unreasonable to assume that there was no investment of resources to
21 develop the mid-1980s version of the Nortel/Periphonics system into the
22 version now accused of infringing.

23 Unrebutted evidence presented by American also suggests that
24 Katz's pattern of delay in claiming his purported inventions prejudiced other
25 inventors working in the same field during those periods of delay who filed
26 "intervening" patents. For example, RAKTL now asserts that the cue

27
28 ¹² See, e.g., Smith Decl. Ex. 1 at 7 (priority date for Claim 19).

1 suppression feature in claim 67 of the '120 patent was entitled to an October
2 23, 1989 priority date.¹³ See Smith Decl. Ex. 1 at 7. But cue suppression
3 was not *publicly* claimed by RAKTL until May 17, 1999, when the '120
4 patent issued. See Smith Decl. Ex. 6 at claim 56. In the intervening period,
5 United States Patent No. 5,018,736 ("Pearson '736 patent") claiming a
6 telephonic interactive game system and method was filed on October 27, 1989
7 and issued on May 28, 1991. See Smith Decl. Ex. 7. The Pearson patent
8 discloses and claims the use of cue suppression. See id. at 15:39-50 and
9 13:68-14:3. Thus, the Pearson '736 patent was an intervening patent.

10 Similarly, United States Patent No. 4,797,911 ("Szl原因 patent")
11 was filed on June 16, 1987 and issued on January 10, 1989. See Smith Decl.
12 Ex. 14. The Szlam patent discloses and claims both DNIS and cue
13 suppression. See id. at 12:29-37; 14:19-22. But those features were not
14 claimed by RAKTL until 1993 and 1999, respectively.¹⁴ The Szlam patent
15 was therefore an intervening patent. As further evidence of the prejudice
16 RAKTL caused other inventors, RAKTL brought an interference action
17 against the Szlam patent requesting that the Board of Patent Appeals and
18

19 ¹³ RAKTL cites Digital Control, Inc. v. McLaughlin Mfg. Co., 248 F. Supp. 2d
20 1015, 1019 (W.D. Wash. 2003) for the proposition that prosecution laches
21 requires a showing that "intervening activity" was not covered by a claim in a
22 parent patent. See Mot. at 11-12. However, Digital Control establishes the
23 opposite. In the sentence immediately preceding the quote proffered by
24 RAKTL, the Court states: "the Court **does not consider** that an examination
25 of intervening adverse rights is a useful concept in prosecution laches when
26 addressing continuation applications." Digital Control, 248 F. Supp. 2d at
27 1019 (emphasis added). Therefore, taken in its full context, the sentence
28 cited by RAKTL merely says that—in the context of a patent reissue—
prosecution laches requires a showing that the intervening activity and the
asserted claim were not covered by the original application. See 35 U.S.C.
§ 252. That is not applicable here.

¹⁴ For the DNIS feature, see, e.g., Smith Decl. Ex. 9 at col. 18 (claim 19).
For the cue suppression feature, see, e.g., Smith Decl. Ex. 6 at col. 16 (claim
56).

1 Interferences award Szlam's patent rights to RAKTL. See Smith Decl. Ex.
2 15 at KTL0568304-307. Thus, despite waiting for many years after Szlam
3 filed his patent application to introduce claims covering similar subject matter,
4 RAKTL used his strategy of delaying filings in an attempt to take Szlam's
5 patent rights away.

6 Because the record establishes that genuine issues of material fact
7 exist regarding whether prosecution laches should apply, RAKTL's motion
8 for partial summary judgment as to this issue should be denied.

9 **IV. THERE ARE GENUINE ISSUES OF FACT REGARDING**
10 **WHETHER RAKTL SHOULD BE BARRED FROM ASSERTING**
11 **ITS PATENTS UNDER THE DOCTRINE OF EQUITABLE**
12 **ESTOPPEL**

13 Equitable estoppel is a defense to patent infringement comprising three
14 elements: (1) the patentee, through misleading conduct, leads the alleged
15 infringer to reasonably infer that the patentee does not intend to enforce its
16 patent against the alleged infringer; (2) the accused infringer's reliance on the
17 patentee's misleading conduct; and (3) due to its reliance, the alleged infringer
18 will be materially prejudiced if the patentee is allowed to proceed with its
19 claim. A.C. Aukerman v. R.I. Chaides Const. Co., 960 F.2d 1020, 1028 (Fed.
20 Cir. 1992). Like other doctrines rooted in equity, equitable estoppel is "not
21 limited to a particular factual situation nor subject to resolution by simple or
22 hard and fast rules." Id. at 1041.

23 **A. RAKTL Misled American By Failing To Identify The**
24 **Asserted Claim, Failing To Identify The Accused Application,**
25 **And Conducting Itself Differently Toward American Than**
26 **Others**

27 The communications between RAKTL and American from 1997
28 to 2006—Leventhal Decl. Ex. H—suggest that RAKTL led American to
believe that the RAKTL would not seek to enforce claim 43 of the '863 patent
against American's Non-Rev application. Misleading conduct may take the
form of "specific statements, action, inaction, or silence where there was an

1 obligation to speak.” ABB Robotics, Inc. v. GMFanuc Robotics Corp., 52
2 F.3d 1062, 1063 (Fed. Cir. 1995). Although “an immediate threat of
3 enforcement followed by silence may be the most common scenario does not
4 mean that it is the *only* set of facts which can support a finding of misleading
5 silence.” Id. at 1064. Indeed, in this case, when viewed in the light most
6 favorable to American, the substance of the communications suggests that
7 American could infer from RAKTL’s conduct that the now-accused Non-Rev
8 application was not at issue.

9 As an initial matter, RAKTL’s communications failed to identify
10 claim 43 of the ’863 patent. In its first communication with American, in
11 August 1997, the ’863 patent had not yet issued. Leventhal Decl. Ex. H at
12 253-56. American was informed on May 22, 1998 that the ’863 patent had
13 issued, but the letter identified a different system as potentially infringing
14 application for which American should consider taking a license. Id. at 260-
15 61. On August 20, 1998, American requested additional information. Id. at
16 262-63. On January 20, 1999, RAKTL informed American that it had
17 successfully enforced its patents in litigation, and that lawsuits against new
18 entities were underway, but failed to address American’s request for further
19 information. Id. at 264-65. On February 8, 1999, American again
20 requested specific information relating to American’s systems. Id. at 266.
21 On July 16, 1999, RAKTL identified 7 claims and 4 patents as relevant to
22 American, but again pointed to another American system. Id. at 267-68.
23 RAKTL did not identify claim 43 of the ’863 patent or the Non-Rev
24 application. Id.

25 On November 16, 2000, RAKTL brought to American’s attention
26 that its lawsuit against AT&T had settled. See id. at 272-74. All further
27 communications through 2004 reflect that American continued to express its
28 belief that it did not need to take a license because the system identified by

1 RAKTL did not infringe. See id. at 350. On December 9, 2003, RAKTL
2 identified new claims, but still did not identify claim 43 of the '863 patent.
3 Id. at 334. The Non-Rev application was never mentioned as a potentially
4 infringing application. See generally, Leventhal Decl. Ex. H.

5 This nearly decade long chain of communication supports at least
6 two inferences. First, an alleged-infringer facing this history of business
7 dealings could reasonably believe that claim 43 was not at issue and the Non-
8 Rev application was not a potential litigation target. Second, the
9 communications about its success in bringing some parties to settlement could
10 suggest that, when RAKTL believed it had a solid case against a party, it
11 chose to litigate or quickly negotiate a settlement. In contrast, RAKTL was
12 unwilling to push American to litigation, even when American appeared
13 unwilling to further discuss licensing. Viewing this chain of communication
14 over such a long period of time in a light most favorable to American, a
15 reasonable inference could be drawn that American believed RAKTL would
16 not file suit, let alone assert infringement of the never-mentioned claim 43 of
17 the '863 patent that is currently asserted against American's Non-Rev
18 application.

19 **B. American Was Lulled Into a Sense of Security**

20 Reliance "is not the same as prejudice or harm, although
21 frequently confused." Aukerman, 960 F.2d at 1043. In the context of
22 equitable estoppel, the Federal Circuit has explained the difference between
23 the two:

24 An infringer can build a plant being entirely unaware of the
25 patent. As a result of infringement, the infringer may be unable
26 to use the facility. Although harmed, the infringer could not
27 show reliance on the patentee's conduct. To show reliance, the
28 infringer must have had a relationship or communication with the
plaintiff which lulls the infringer into a sense of security in going
ahead with building the plant.

1 Id. (emphasis added). The Federal Circuit's articulation of reliance serves
2 perfectly in the instant case to illustrate that there is sufficient evidence that
3 American could have relied on the communications with RAKTL by going
4 ahead with its plans to develop and invest in IVR systems.

5 Had RAKTL filed suit earlier, American could have avoided its
6 expenditures on automated call processing systems. For example, had
7 RAKTL brought suit prior to 2003, the evidence suggests that American could
8 have avoided making investments in its new speech recognition technology
9 which it believed did not fall within the scope of RAKTL's identified patents.

10 See Leventhal Decl. Ex. H at 355-56

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20 See Smith Decl. Ex. 12. Drawing the reasonable inference in
21 American's favor that it would be unwilling to continue investing in IVR
22 systems if it had known those issues might be the subject of a lawsuit, a fact-
23 finder could conclude that American relied on its sense of security. That is, as
24 a consequence of its belief that it would not face an infringement suit
25 concerning its Non-Rev application, American continued its investment in and
26 development of the Periphonics system.

C. American Will Be Materially Prejudiced If RAKTL Is Allowed To Assert The '863 Patent

To show material prejudice, the “proper inquiry is whether there has been a change in the economic position of the alleged infringer during the period of delay.” ABB Robotics, 52 F.3d at 1065 (internal citations omitted). In ABB Robotics, the Federal Circuit found that the trial court had properly found material prejudice “by showing that this suit would result in damages which likely would have been prevented by an earlier suit.” Id. The trial court based its decision on the fact that the alleged infringer had modified its behavior to avoid infringement. Id.

As explained above, had RAKTL brought suit when the '863 patent first issued, the evidence suggests that American could have avoided adopting the allegedly infringing Nortel/Periphonics Non-Rev application starting in 1998. See Smith Decl. Ex. 12. As that feature is now the only accused feature, American could have avoided any potential liability by continuing with its other pre-existing systems, such as the Intellivoice system, or by adopting alternative systems which predated the '863 patents. See Smith Decl. Ex. 13 (showing American's expenditures on the Intellivoice call processing system prior to the issuance of the '863 patent). Furthermore, the communications between American and RAKTL suggest that American was making decisions such as converting to speech recognition systems given its understanding that the Katz patents generally did not encompass speech recognition. See Leventhal Decl. Ex. H at 355-56

REDACTED

In summary, the evidence demonstrates that American's economic position changed as a consequence of RAKTL's delay in bringing suit because it was not able to switch to non-infringing alternatives prior to the

1 damages period at issue now and was not able to avoid investments in now-
2 accused systems. Viewed in the light most favorable to American, the
3 evidence shows that RAKTL's nine-year letter-writing campaign could have
4 reasonably been perceived as empty threats, that American went ahead with
5 its now-accused IVR development plans in reliance on its sense of security
6 that it would not be sued, and that American was economically harmed as a
7 result of those development plans. There can be no doubt that there remain
8 genuine issues of material fact regarding whether the equitable estoppel
9 defense bars RAKTL's claim for patent infringement. RAKTL's motion as
10 to this issue should also be denied.

11 **V. CONCLUSION**

12 For the reasons described above, American requests that the
13 Court deny RAKTL's motion for partial summary judgment.
14

15 Dated: August 29, 2008

Respectfully submitted,

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PROOF OF SERVICE

I declare that I am employed with the law firm of Weil, Gotshal & Manges LLP, whose address is 201 Redwood Shores Parkway, Redwood Shores, California 94065-1175 (hereinafter "WGM"). I am not a party to the within cause, and I am over the age of eighteen years. I further declare that on August 29, 2008, I served a copy of:

**AMERICAN'S OPPOSITION TO PLAINTIFF'S MOTION FOR
PARTIAL SUMMARY JUDGMENT**

BY ELECTRONIC SERVICE by electronically mailing a true and correct copy through WGM's electronic mail system to the email address(es) set forth in the service list below.

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Executed on August 29, 2008 at Redwood Shores, California. I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.



Nettie Asiasi